



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: November 18, 2003

TO: Group Insurance Board

FROM: Marcia Blumer
Life Insurance Program Manager

SUBJECT: Wisconsin Public Employers Group Life Insurance Contract

This memo is for the Board's information only. No action is required.

At the June 3, 2003, Group Insurance Board meeting, the Board awarded the contract for administration of the Wisconsin Public Employers (WPE) Group Life Insurance program contract to Minnesota Life Insurance Company. DETF staff was authorized to negotiate a contract with Minnesota Life. The new contract is effective on January 1, 2004 for a five-year period ending on December 31, 2008. The contract may be extended for up to two successive one-year periods to December 31, 2010. The following are highlights of the changes that have been made in the new contract.

Policy Revisions

The WPE life insurance policy document includes the terms and conditions of the benefits that are offered to plan participants. It was revised to correct minor errors and language changes that clarify existing policy provisions. The new policy also incorporates amendments that occurred during the last contract period.

There is a substantive change to the Accidental Death & Dismemberment (AD&D) Coverage. The language is strengthened to clarify that payment under the AD&D coverage will be made only once for the loss or the loss of use of the same limb(s). In addition, the limitations for payment of AD&D coverage were revised to exclude AD&D coverage when the loss is due to the abuse of drugs or alcohol. A copy of the AD&D changes is attached.

Administrative Agreement Revisions

The administrative agreement, which includes the financial agreement, identifies the administrative responsibilities of Minnesota Life and the State. This document has been revised to reflect additions to MLIC's administrative duties and responsibilities, such as the initial processing of late enrollments and cancellations, maintaining the electronic premium reporting and membership system that was implemented during the last contract period, and providing the Department and employers with expanded electronic access to participant information. The document was updated to reflect changes in the expense charges, stop loss provisions and

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature

Date

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disability premium reserves that were approved at the August 26, 2003 GIB meeting. The performance standards and the associated performance penalties were also revised and a provision for an employer satisfaction survey was added. Staff will continue to study the feasibility of a separate account arrangement for the purpose of managing the substantial reserves held by Minnesota Life as discussed by the Board at the June meeting. A copy of the revised performance standards and penalties is attached.

ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D) COVERAGE

SUBSEQUENT LOSSES

If an employee who has received payment for a loss under this policy incurs a subsequent loss to a different limb(s) or member(s), due a different accident, payment shall be made for that loss without reference to any previous loss. Under no circumstances, however, will more than one payment be made for the loss or the loss of use of the same limb(s), or part thereof, or member(s).

LIMITATIONS

In no event will we pay the benefit where the loss is caused directly or indirectly by, results from, or there is contribution from, any of the following:

1. Self-inflicted injury or self destruction, whether sane or insane;
 2. Suicide or attempted suicide, whether sane or insane;
 3. The employee's participation in or attempt to commit a crime, assault or felony;
 4. Bodily or mental infirmity, illness or disease;
 5. The use of alcohol, drugs, medications, poisons, gases, fumes or other substances taken, absorbed, inhaled, ingested or injected, unless taken upon the advice of a licensed physician in the verifiable prescribed manner and dosage;
 6. Motor vehicle collision or accident where the employee is the operator of the motor vehicle and the employee's blood alcohol level meets or exceeds the level at which intoxication is defined in the state where the collision or accident occurred, regardless of the outcome of any legal proceedings connected thereto;
 7. Infection, other than infection occurring simultaneously with, and as a direct result of, the accidental injury;
 8. Medical or surgical treatment or diagnostic procedures or any resulting complications;
 9. Travel in or descent from any aircraft, except as a fare-paying passenger on a regularly scheduled commercial flight on a licensed passenger aircraft carrier;
 10. War or any act of war, whether declared or undeclared.
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- ~~(1) War, declared or undeclared, or any act incident to war;~~
 - ~~(2) Travel or flight in or on any species of military aircraft or participation as a passenger or otherwise in any other form of military aviation or military aeronautic operation. This does not include riding as a passenger in a transport aircraft;~~
 - ~~(3) Participation in, or attempt to commit, assault or felony;~~
 - ~~(4) Intentional self inflicted injury or suicide or any attempt at self inflicted injury or suicide, while sane or insane;~~
 - ~~(5) Bodily or mental infirmity, illness or disease, directly or indirectly;~~
 - ~~(6) Poisoning or bacterial infection other than infection occurring in consequence of an accident.~~

PERFORMANCE STANDARDS AND PENALTIES
QUANTITATIVE STANDARDS

PERFORMANCE MEASURE	PENALTY	
	For each whole percentage point below the performance standard	Maximum
Pay 95% of all death and dismemberment claims within 14 calendar days after receipt of all necessary proof	\$4,000	\$20,000
Mail 99% of all initial requests for death certificates, verification of beneficiary forms, medical evidence of dismemberment or loss of use forms, and any other required documentation within 14 calendar days of receipt of Notice of Death (ET-6301) and other documentation from the Department	\$3,000	\$15,000
Approve or reject 99% of all applications for open enrollment (other than deferred applications) within 14 calendar days after the receipt of the completed application	\$3,000	\$15,000
Approve or request additional information deemed necessary for making an underwriting decision on 99.98% of all applications requiring evidence of insurability within 14 calendar days after receipt of the completed application	\$3,000	\$15,000
Make a final disposition of 99.95% of all evidence of insurability applications (with notification mailed to the applicant) within 10 calendar days after receipt of all necessary information	\$4,000	\$20,000
For new waiver of premium disability claims which are received by the Department more than 90 days after the last day for which earnings were paid, approve or request additional information for 99% of such claims within 14 calendar days after receipt of claim	\$3,000	\$15,000
Make final disposition of 75% of new waiver of premium disability claims other than those included above within 30 calendar days after receipt of all necessary information	\$4,000	\$20,000
Make final disposition of 85% of continuing waiver of premium disability claims within 30 calendar days after receipt of all necessary information	\$3,000	\$15,000
Include 95% of all Life to Health applications, amendments and cancellations received by the fifth day of a month in the remittance due on the twentieth day of the same month	\$3,000	\$15,000

6.2 Penalties

~~Minnesota Life will meet or exceed the above mentioned performance standards. For each standard not achieved during the policy year, Minnesota Life will be assessed a penalty of 1% of expense charge components A through F as set forth in Exhibit D, up to a maximum of 5% of the total of such expense charge components.~~

PERFORMANCE STANDARD AND PENALTIES
QUALITATIVE STANDARDS

With respect to EMPLOYER satisfaction measures, MINNESOTA LIFE shall achieve:

SATISFACTION MEASURE	PENALTY	
	For each whole percentage point below the performance standard	Maximum
90% satisfaction with overall service	\$4,000	\$20,000
90% satisfaction with processing of enrollments and evidence of insurability	\$2,000	\$10,000
90% satisfaction with processing of claims	\$2,000	\$10,000
90% satisfaction with support and training	\$2,000	\$10,000